

**SENTINEL TRUST COMPANY,
IN LIQUIDATION**

**Commissioner-in-Possession's
Schedule of Claim Determinations**

Dated January 2, 2006

COVER LETTER TO COMMISSIONER-IN-POSSESSION

SCHEDULE OF CLAIM DETERMINATIONS

TO: All Sentinel Trust Company, In Liquidation, Proof of Claim Claimants
FROM: Receivership Management, Inc., Sentinel Trust Company Receiver
DATE: January 2, 2006

This submission is the Commissioner-in-Possession's Schedule of Claim Determinations ("Schedule") for claims filed against the Sentinel Trust Company Receivership Estate. This Schedule is submitted for inspection pursuant to T.C.A. § 45-2-1504 and will be filed with the Chancery Court of Lewis County, Tennessee (the "Receivership Court") on January 31, 2006.

This Schedule contains a great deal of information, some of which is explained in this Cover Letter. Please review the Schedule in conjunction with reviewing the information set forth in this Cover Letter.

Organization of Schedule of Claim Determinations

The Schedule is organized by the particular bond issue in relation to which the Proofs of Claim were received. These bond issues are presented in alphabetical order and, within each bond issue category, the claimants are listed in alphabetical order. The only material exceptions to this organization are 1) the Schedule starts with the listing of the claims of numerous Successor Trustees, appointments of which have been previously approved through order of the Receivership Court, and 2) various "Other Claims" are set forth at the end of the Schedule.

"Amount Approved" Column

In the attached Schedule, a column exists entitled "Amount Approved." The amounts set forth in the Amount Approved column set forth the amount of each claim that has been approved

by the Commissioner-in-Possession. **PLEASE NOTE THAT THE APPROVED AMOUNT IS NOT THE AMOUNT THAT YOU SHOULD ANTICIPATE BEING PAID DUE TO ANTICIPATION OF NOT HAVING SUFFICIENT FUNDS TO PAY ALL CLAIM AMOUNTS SO APPROVED.** Further information concerning amounts that could be distributed will be filed with the Court on January 31, 2006. Also, please note that all funds separately held in trust by Sentinel Trust Company on behalf of active bond issues were transferred to Successor Trustees pursuant to previous order of the Receivership Court. The Amount Approved for each claim in the Schedule involved comparison and analysis of:

1. The funds as shown as being on deposit in a SunTrust account maintained by Sentinel Trust -- the "Pooled Fiduciary Account" -- for each bond issue;
2. The funds as shown as being on deposit in the Pooled Fiduciary Account for bond issues that were in default but which had not been paid out to bondholders of that bond issue; and
3. The funds that should have been on deposit in the Pooled Fiduciary Account to cover the Sentinel Trust vault check claims -- see Vault Check discussion infra.

Accordingly, the Approved Amounts contained in this Schedule are based upon the amount of the funds that should have been on deposit in the Pooled Fiduciary Account, which is not necessarily the same as principal and interest due to a particular bondholder or the amount of the claim stated on any particular Proof of Claim form.

Claim Priority Designation

In the attached Schedule, a column exists entitled "Claim Priority." The categories of claim priority are set forth in T.C.A. § 45-2-1504(h). Those categories are as follows:

- Class 1 --** Obligations incurred by the Commissioner -- administrative expenses of the Sentinel Trust Receivership;
- Class 2 --** Wages and salaries of former officers and employees, not to exceed \$600.00;
- Class 3 --** Fees and assessments due to the Department of Financial Institutions;
- Class 4 --** Deposits to the extent of \$10.00 for each depositor;
- Class 5 --** All other claims, timely filed; and
- Class 6 --** Late-filed claims.

In several instances, the priority classification given to claimants such as bond issuers and successor trustees is “4 and 5.” This means that the Commissioner-in-Possession has determined that bond issuers and/or successor trustees who claim, in part, on behalf of bond issuers should be paid the nominal \$10.00 amount set forth in T.C.A. § 45-2-1504(h)(1)(D) and then be further designated as Class 5 claimants. Also, as noted in the Schedule, most of the claims, as determined by the Commissioner-in-Possession, have been characterized as “Class 5 -- All other claims, timely filed.” The Commissioner-in-Possession and Receiver anticipate recommending to the Receivership Court, through filing on January 31, 2006, a system of prioritization amongst the various “Class 5 -- All other claims, timely filed” claimants.

Charlotte, North Carolina / Roseland Bond Issue

In the Schedule, one is referred to this Cover Letter if he/she/it is a listed claimant for the Charlotte, North Carolina/Roseland Bond Issue. While the Commissioner-in-Possession and Receiver stand ready to determine the approved amount of those claims, any final resolution of claims relating to the Charlotte/Roseland Bond Issue must await ongoing matters in the pending bankruptcy case that is intertwined with that bond default -- In re CP-CHA Roseland Limited Partnership, # 04-31630 (U.S. Brky Ct. W.D.N.C.).

Presently, the bankruptcy debtor, the Sentinel Trust Receiver and various bondholder representatives are working toward a consensual bankruptcy plan, a principal goal of which would be to provide for the sale of the general partner's interest to create funds for payments to administrative claimants, priority claimants, a partial payment to the Convenience Class, with the remainder of the sale proceeds to go to, or for the benefit of, current bondholders, while creating a period of forbearance so as to allow additional time for the purchaser to pay further funds to the bondholders. The bankruptcy plan would also have the purchaser assuming responsibility for further payment to and dealing with the Charlotte/Roseland bondholders. Further notice of the proposed Plan will be given to the Charlotte/Roseland bondholders and claimants when the proposed plan is finalized and/or when it is presented for review to the Receivership Court.

Because it is anticipated, in good faith, that the discussions and actions relating to the Charlotte/Roseland bankruptcy plan will be finalized in the next several weeks and because that plan is reasonably expected to provide funds to pay some of the amounts past due to the Charlotte/Roseland bondholders, the Commissioner-in-Possession and the Sentinel Trust Receiver feel it best to defer the claims determination process for claimants on this bond.

Niceville, Florida/Okaloosa Bond Issue

Claimants to the Niceville/Okaloosa Bond Issue are referred to this Cover Letter for explanation. Presently, the claims incurred by the Commissioner-in-Possession (Class 1 claims) (e.g. receiver's and attorneys' fees and costs) exceed the amounts indicated by the books and records of Sentinel Trust as being held in the Pooled Fiduciary Account on behalf of that bond issue. Such was not the case at the beginning of the Sentinel Trust Receivership because, at that time, the Niceville/Okaloosa Bond Issue was not in default. The ensuing default has caused the incurring of expenses that would be of superior priority to the claimants listed in the Schedule,

and, thus, the claims presented are considered to be of no value and have been noted as being denied.

Previous communication from the Sentinel Trust Receiver may have indicated that claims regarding Niceville/Okaloosa were of value, but that was before consideration was had of the default and the expenses and fees incurred due to the default.

Please note, however, that the Commissioner-in-Possession and Receiver anticipate, in good faith, that the foreclosure of the collateral regarding this bond issue will be finalized and matters brought before the Receivership Court within the next sixty (60) days. Hopefully, there will be a material distribution to the Niceville/Okaloosa bondholders at, or soon after, that time. But, for the purposes of the Proof of Claim process and this Schedule, the claims presented which relate to Niceville/Okaloosa are denied.

City of Pearsall and Tyler Health Facilities Bond Issues

Various claimants to the City of Pearsall (also known as Harvest Communities) Bond Issue and Tyler Health Facilities (also known as Park Place) Bond Issue are referred to this Cover Letter for further explanation. The Schedule classifies the bulk of the claims submitted as to these bond issues as “Class 5 -- All other claims, timely filed.” As noted earlier in this Cover Letter, the Commissioner-in-Possession and Receiver may be recommending that a system of prioritization amongst the various Class 5 claimants be recognized. But, the various claimants to these particular bond issues who were referenced to this Cover Letter should be aware and otherwise be on notice that the Approved Amounts set forth in the Schedule, as well as any amount actually distributed, may be affected by recoveries the particular claimant might have already realized or be due from other receivership actions in which the claimant might have filed similar claims. See Sentinel Trust Company v. Texas Choice Communities, Inc. and Harvest Communities, Inc., # H-00-2179 (U.S. Dist. Ct. S.D. Tx.) as to the various City of

Pearsall/Harvest Communities claimants and see Sentinel Trust Company v. Park Place, Ltd., # 99-2572-A (Dist. Ct. Smith County, Texas, 7th Judicial District) as to the various Tyler Health/Park Place claimants.

Dade City, Florida Bond Issue

Claimants to the Dade City, Florida Bond Issue are referred to this Cover Letter for further information and/or explanation. The Approved Amounts set forth in the Schedule are based upon the amount shown as being held, on May 18, 2004, in the Pooled Fiduciary Account by Sentinel Trust on behalf of that bond. Earlier communications from the Receiver with Dade City Bond Issue claimants may have indicated that additional monies would be available to Proof of Claim claimants due to a settlement with the issuer of the Dade City Bond Issue arising from a deficiency judgment obtained against that entity. Those settlement proceeds, however, will be part of an ultimate distribution to the Dade City Bond Issue bondholders, as opposed to being part of what would otherwise be available for payment to the Dade City Bond Issue Proof of Claim claimants. The earlier referenced settlement provides for payment of funds over time. But, it is estimated, in good faith, that the settlement should result in over \$550,000.00 being available for distribution to the Dade City bondholders outside of the amounts to be distributed to the Proof of Claim claimants.

“Vault Check” Classifications

At various places in the “Bond Issue” column of the Schedule, reference is made to the term “vault check.” When the Commissioner-in-Possession took possession of Sentinel Trust Company, numerous checks, which related to numerous bond issues, were found in the vault at Sentinel Trust’s Hohenwald, Tennessee office. The checks aggregated to approximately \$800,000.00. The checks, by and large, represented payments that were attempted to be made, but, for various reasons, were returned or never delivered or represented payments that were

being held back for various reasons. The Receiver gave notice to the “payees” of these vault checks and numerous of them have filed Proofs of Claim. The claims filed by these “vault check payees” are the ones that are noted as such in the Schedule.

**Other Terms/Phrases Used in
Schedule of Claim Determinations**

In the column entitled “Denial and/or Claim Explanation,” various phrases are used to explain the denial of particular claims. The phrases “Collateral Proceeds Exhausted” or “Collateral Proceeds Paid” relate to the denial of claims because the collateral of the defaulted bond issue had already been paid out or exhausted, and there were no further funds noted as being held by Sentinel Trust on behalf of that particular bond issue.

The phrases “Filed by Successor Trustee” and “Filed by DTC¹ for Bondholders” relate to the denial of claims because the claims were duplicative of claims submitted on behalf of the Successor Trustee for the particular claimant or by DTC on behalf of the particular claimant.

The phrase “Declared No Value” is used to explain the denial of claims relating to the Washington County, Greenville, Mississippi defaulted bond issue. Prior to the institution of the Sentinel Trust Company Receivership, former Sentinel Trust management had issued notice to all Washington County bondholders that the defaulted bonds were of “no value.” Based on this declaration, the claims relating to that bond issue have been denied.

Receiver’s Claim

There is a \$692,892.52 amount listed in the Schedule as the claim of the Sentinel Trust Receiver. This claim has several components. First and foremost, is a \$436,709.91 amount relating to the Charlotte/Roseland Bond Issue. The Receiver has made this claim in order to

¹ “DTC” stands for “Depository Trust Company.”

preserve the claim, on behalf of the Charlotte/Roseland claimants, against the amount shown as being held in the Pooled Fiduciary Account in relation to that bond issue, until matters in a parallel bankruptcy proceeding are settled. See Charlotte, North Carolina/Roseland Bond Issue discussion infra. The Receiver has also made claim in relation to the Charlotte/Roseland funds to recoup all Sentinel Trust/Receivership fees and expenses that have been incurred regarding that defaulted bond issue.

The Receiver's Claim also includes a claim against the approximately \$69,000.00 that was shown as being held in the Pooled Fiduciary Account on behalf of the Niceville/Okaloosa Bond Issue. That portion of the Receiver's claim that relates to the Niceville/Okaloosa Bond Issue is approximately \$214,000.00. That amount represents the fees and expenses that have been incurred in relation to that defaulted bond issue.

The Receiver's Claim also includes claims against what amounts are shown as funds in the Pooled Fiduciary Account for the Pearsall/Harvest Communities Bond Issue (claim amount of approximately \$11,500.00), the Tombs County Bond Issue (claim amount of \$14.00), the Tyler/Park Place Bond Issue (claim amount of approximately \$30,000.00), the Stewart County, Tennessee Series 01 Bond Issue (claim amount of approximately \$100) and the Huntsville Utility District Bond Issue (claim amount of approximately \$100). All of these Approved Amounts are claims for Receivership fees and expenses expended upon the various bond issues.

Because the bulk of the Approved Amounts of the Receiver's Claim relate to fees and expenses incurred during the time of the Receivership, the priority classification of 1 and/or 5 has been set forth for that claim. Because expenditures of fees and expenses are continuing in relation to some of these bond issues and because recovery as to some of the defaulted bond

issue collateral will occur, the Receiver's Claim amount will change from the Approved Amount set forth in the Schedule.

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